



CONNECTICUT

**TESTIMONY OF
NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB)
OPPOSING
SB-249, AA PROMOTING RETIREMENT SAVINGS
BEFORE THE
LABOR & PUBLIC EMPLOYEES COMMITTEE
MARCH 11, 2014**

A non-profit, non-partisan organization founded in 1943, NFIB is Connecticut's and the nation's leading small-business association. In Connecticut, NFIB represents thousands of members and their employees. NFIB membership is scattered across the state and ranges from sophisticated high technology enterprises to "Main Street" small businesses to single-person "Mom & Pop" shops that operate in traditional ways. NFIB's mission is "To promote and protect the right of its members to own, operate, and grow their businesses." On behalf of those small- and independent- job-providers in Connecticut, I offer the following comments:

NFIB/Connecticut has concerns with SB-249, and suggests rejection. This legislation creates a state-run retirement savings plan for private sector employees and guarantees a set rate of return on investment. It mandates employers with five or more employees to automatically enroll their workers into the state-run plan unless a retirement savings option is already available at the workplace. Employers that do not comply would be subject to possible violations by the Department of Labor.

While we applaud and agree with the proponents' interest in encouraging Connecticut residents to save for retirement, NFIB/Connecticut believes that SB-249 is a major step in the wrong direction. The state is already facing a massive unfunded pension liability for its public sector workers. This is simply not the time for the state to create a new plan for private sector employees, much less one which guarantees a set rate of return on investments. NFIB/Connecticut believes that a better course of action is a strong and robust focus on financial literacy for all ages and public awareness of retirement savings options. Furthermore, NFIB/Connecticut also has questions as to how the proposed legislation would interact with or supplant the recently announced federal "MyRA" program.

Small business owners feel that the employer mandate in SB-249 is highly problematic. Such a mandate is counter to purported efforts to make the state more business friendly. In addition to the administrative and record keeping burdens placed on small businesses as a result of this legislation, employers in general and small employers in particular want and need the flexibility to offer the mix of compensation and benefits that best meets the needs of their employees. Requiring employers to offer a benefit that their employees may not value is not an effective use of these employers' time and resources. While employees may, for example, prefer different benefits or additional compensation, employers would be



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forced to offer this benefit, possibly at the expense of others, or potentially face a sizeable penalty. In addition, this mandate also reduces flexibility of employees, who, unless they choose to opt-out, will have a minimum dollar amount automatically deducted from their paycheck, money that they may prefer to have in their pocket.

Despite the provisions contained in Section 12 of the bill, there is also concern about operational questions and potential liability issues the legislation raises for small employers. Small businesses are uncertain as to how they would interact with the newly created state entity (Board / Trust). This mandate could be read to require a host of educational as well as record keeping requirements for every employee at the risk of significant legal challenges by employees.

In addition, small business owners, as taxpayers, are concerned that the state would be incurring substantial costs to provide this service, as well as ongoing operational, oversight, compliance and insurance costs.

NFIB/Connecticut feels that the uncertainties, potential liability and expenses of SB-249 are unnecessary since Connecticut already has a robust and highly competitive retirement savings market. A wide variety of low-cost and easy-to-implement plans are already available for retirement savings vehicles. For example, many small business owners and individual employees tend to gravitate to IRAs because they are low-cost, straightforward and easy to administer. Furthermore, SB-249 would create a new state-run structure that would directly compete for this business with a wide range of Connecticut financial services firms, lending institutions, and other advisors, including many small businesses.

The government mandate in SB-249 is an economically dangerous imposition of additional costs and further meddling by state government into the operations of many Connecticut employers, the very employers who are being relied upon to help lead the state into economic recovery. Again, while NFIB/Connecticut is supportive of the intent of encouraging more retirement savings for our residents, shifting part of that burden onto small businesses does not make sense at this time, and NFIB would suggest a stronger focus on financial education and retirement planning awareness.

Thank you for the opportunity to comment, and NFIB urges lawmakers to take no action on SB-249.